

**BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEES
RETIREMENT SYSTEMS**

HEALTH BENEFIT PLAN COMPARISONS

Commonwealth of Kentucky

Health Care Benefit Design Analysis

Executive Summary

Based upon our recent discussions with committee members of the Commonwealth of Kentucky's ("the Commonwealth") Work Group 3, Gabriel, Roeder, Smith & Co. (GRS) has prepared the following benefit analysis summarizing our observations of how the Commonwealth's current health plans compare to other state entities in the areas of health benefit plan design. Because the Commonwealth does not offer an HMO plan, our analysis focuses on the self funded plans (PPO and POS) offered by the comparators. Several of the comparators offer one or more HMO plans. These are reflected in Section three of this analysis.

Section one of the analysis provides benchmarking information on several key cost drivers based on all 50 US states. The Commonwealth's position in the ranking is highlighted for reference. The included metrics are: Average Annual Growth in Health Care Expenditures, Retail Prescription Drugs Filled at Pharmacies, Hospital Adjusted Expenses per Inpatient Day and the Average Single Premium per Enrolled Employee

Section two provides a comparison on the plan feature level of the health plans offered by the states of Tennessee, Ohio, South Carolina, West Virginia and Maryland and presents the key health plan design features of those state entities.

Section three provides a summary of what some additional states in the US are changing within their health plans in an attempt to manage the health plan costs of their active and retired employees. Plan design changes being made include such items as the expansion of Wellness and Disease Management programs, smoker premium surcharges, the addition of high deductible health plans (HDHP) with health savings accounts (HSA).

In general, when comparing the plan design features of the Commonwealth to the other state entities, there are no differences in plan design features that GRS would consider to be significant. All comparators offer several versions of PPO and/or POS and/or HMO plans with graduated out of pocket amounts to the employee. Presumably, each of the comparators price these plans accordingly with respect to the employee's share of the premium contribution. Among the comparator entities, there does not appear to be a clear design strategy for steering employees in the direction of a particular plan option. That is, the least expensive (measured in claim dollar costs) plan option to the entity. Rather based on empirical observation, it appears that the relative value of the plans from an underwriting perspective is small, leading GRS to conclude that the plan design philosophy among the comparators is to offer multiple options to employees in the name of "Choice" as opposed to eliciting the desired plan selection behaviors from participants that will deliver value to employees and minimize the impact of trend over time.

From this point, several paths are available to the Commonwealth that can provide additional clarity to the benefits environment of state employee health plans. These include: an in depth analysis of the cost management programs in place at comparator entities such as disease management, case management and wellness and a comparative analysis of the eligibility rules and contribution strategies of the comparator entities as direct cost drivers in the underwriting of the plans. GRS is prepared to discuss these pathways with the Commonwealth and proceed as directed.

Average Annual Percent Growth in Health Care Expenditures, 1980-2004

Rank		▼ Avg. Annual % Growth
	United States	8.6%
1	Nevada	11.3%
2	North Carolina	10.3%
3	New Hampshire	10.2%
4	Arizona	10.0%
5	Florida	10.0%
6	South Carolina	10.0%
7	Delaware	9.8%
8	Utah	9.8%
9	Vermont	9.7%
10	Georgia	9.6%
11	Idaho	9.6%
12	Maine	9.6%
13	Alaska	9.4%
14	New Mexico	9.4%
15	Tennessee	9.3%
16	Washington	9.3%
17	Colorado	9.2%
18	Kentucky	9.2%
19	Texas	9.2%
20	Virginia	9.2%
21	Mississippi	9.0%
22	Montana	8.8%
23	Arkansas	8.7%
24	Maryland	8.7%
25	New Jersey	8.7%
26	Oregon	8.7%
27	South Dakota	8.7%
28	Alabama	8.6%
29	Indiana	8.6%
30	Minnesota	8.6%
31	Connecticut	8.5%
32	Rhode Island	8.5%
33	Wisconsin	8.4%
34	Wyoming	8.4%

35	Hawaii	8.3%
36	Nebraska	8.3%
37	Massachusetts	8.2%
38	Missouri	8.2%
39	New York	8.2%
40	Louisiana	8.1%
41	Ohio	8.1%
42	West Virginia	8.1%
43	California	8.0%
44	North Dakota	8.0%
45	Oklahoma	8.0%
46	Pennsylvania	8.0%
47	Kansas	7.9%
48	Iowa	7.5%
49	Illinois	7.4%
50	Michigan	7.1%
51	District of Columbia	6.5%

Source: Kaiser Family Foundation, www.statehealthfacts.org

Retail Prescription Drugs Filled at Pharmacies (Annual per Capita), 2006

Rank		▼ Retail Rx Drugs Per Capita
	United States	11.1
1	West Virginia	17.2
2	Missouri	15.9
3	Tennessee	15.8
4	Alabama	15.7
5	Kentucky	15.4
6	South Carolina	15.2
7	Louisiana	14.9
8	Arkansas	14.5
9	Mississippi	14.2
10	Iowa	13.9
11	Indiana	13.2
12	Kansas	13.2
13	North Carolina	13.1
14	Nebraska	12.7
15	Maine	12.6
16	Vermont	12.2
17	Oklahoma	12.1
18	Massachusetts	12.1
19	Connecticut	12.0
20	Wisconsin	11.9
21	Florida	11.9
22	Delaware	11.9
23	Pennsylvania	11.9
24	Rhode Island	11.8
25	Ohio	11.4
26	New Hampshire	11.3
27	Illinois	11.2
28	Montana	11.0
29	Georgia	11.0
30	Virginia	11.0
31	New York	10.9
32	Michigan	10.7
33	South Dakota	10.6

34	New Jersey	10.5
35	North Dakota	10.4
36	Wyoming	10.3
37	Minnesota	10.0
38	Texas	9.9
39	Maryland	9.6
40	Idaho	9.5
41	Oregon	9.5
42	Utah	9.0
43	Washington	8.9
44	Arizona	8.9
45	Nevada	8.7
46	Colorado	8.1
47	District of Columbia	8.0
48	New Mexico	7.9
49	Hawaii	7.7
50	California	7.4
51	Alaska	6.5

Source: Kaiser Family Foundation, www.statehealthfacts.org

Hospital Adjusted Expenses per Inpatient Day, 2005

Rank		Expenses per Inpatient Day
	United States	\$1,522
1	Alaska	\$2,246
2	Washington	\$2,143
3	Oregon	\$2,062
4	California	\$1,994
5	District of Columbia	\$1,910
6	Maryland	\$1,831
7	Utah	\$1,823
8	New Jersey	\$1,797
9	New Mexico	\$1,780
10	Arizona	\$1,769
11	Colorado	\$1,751
12	Massachusetts	\$1,751
13	Rhode Island	\$1,719
14	Delaware	\$1,715
15	Connecticut	\$1,713
16	Nevada	\$1,685
17	Ohio	\$1,673
18	Illinois	\$1,637
19	Texas	\$1,636
20	New Hampshire	\$1,627
21	Indiana	\$1,569
22	Missouri	\$1,560
23	New York	\$1,539
24	Maine	\$1,528
25	Pennsylvania	\$1,500
26	Florida	\$1,497
27	Idaho	\$1,484
28	South Carolina	\$1,465
29	Michigan	\$1,460
30	Wisconsin	\$1,458
31	Virginia	\$1,394
32	Oklahoma	\$1,332
33	North Carolina	\$1,320
34	Hawaii	\$1,310
35	Minnesota	\$1,300

36	Louisiana	\$1,293
37	Arkansas	\$1,238
38	Tennessee	\$1,234
39	Georgia	\$1,202
40	Alabama	\$1,198
41	Kentucky	\$1,194
42	Vermont	\$1,166
43	West Virginia	\$1,113
44	Nebraska	\$1,066
45	Kansas	\$1,055
46	Iowa	\$1,036
47	Mississippi	\$1,021
48	North Dakota	\$898
49	Montana	\$814
50	Wyoming	\$805
51	South Dakota	\$733

Source: Kaiser Family Foundation, www.statehealthfacts.org

**Average Single Premium per Enrolled Employee
For Employer-Based Health Insurance, 2005
As a Percentage of Premium**

Rank		Employee Contribution	Employer Contribution	Total
	United States	18%	82%	100%
1	Alabama	25%	75%	100%
2	Maryland	23%	77%	100%
3	New Hampshire	23%	77%	100%
4	Florida	22%	78%	100%
5	Arkansas	22%	78%	100%
6	Utah	22%	78%	100%
7	Massachusetts	22%	78%	100%
8	South Dakota	21%	79%	100%
9	North Dakota	21%	79%	100%
10	Tennessee	21%	79%	100%
11	Illinois	21%	79%	100%
12	New Mexico	21%	79%	100%
13	Iowa	21%	79%	100%
14	Minnesota	21%	79%	100%
15	Nebraska	21%	79%	100%
16	Louisiana	20%	80%	100%
17	Wisconsin	20%	80%	100%
18	Virginia	20%	80%	100%
19	South Carolina	20%	80%	100%
20	Delaware	20%	80%	100%
21	New Jersey	20%	80%	100%
22	Kansas	19%	81%	100%
23	Kentucky	19%	81%	100%
24	Mississippi	19%	81%	100%
25	Colorado	19%	81%	100%
26	Rhode Island	19%	81%	100%
27	Maine	18%	82%	100%
28	Nevada	18%	82%	100%
29	New York	18%	82%	100%
30	Georgia	18%	82%	100%
31	District of Columbia	18%	82%	100%
32	Idaho	18%	82%	100%
33	North Carolina	18%	82%	100%

34	Missouri	18%	82%	100%
35	Alaska	18%	82%	100%
36	Arizona	18%	82%	100%
37	Indiana	17%	83%	100%
38	Ohio	17%	83%	100%
39	Connecticut	17%	83%	100%
40	Vermont	17%	83%	100%
41	Oklahoma	17%	83%	100%
42	Michigan	16%	84%	100%
43	West Virginia	16%	84%	100%
44	Pennsylvania	16%	84%	100%
45	California	15%	85%	100%
46	Wyoming	15%	85%	100%
47	Texas	15%	85%	100%
48	Montana	14%	86%	100%
49	Oregon	12%	88%	100%
50	Washington	10%	90%	100%
51	Hawaii	9%	91%	100%

Source: Kaiser Family Foundation, www.statehealthfacts.org

**Summary of Health Plans and Medical Vendor(s) Currently Offered by
Comparator States:**

Active Employees and Under Age 65 Retirees

Comparator	PPO	POS	HMO	Vendor(s)
Ohio	1	0	4	Aetna, Medical Mutual, Kaiser
Tennessee	2	1	1	BC/BS of Tennessee, CIGNA, UHC
West Virginia	4	0	3	Wells Fargo
South Carolina	3	0	1	BC/BS of South Carolina
Maryland	3	3	4	Aetna, BC/BS, UHC, Kaiser

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN INFORMATION	OPERS, Medicare and Out of Area Enhanced	OPERS, Medicare and Out of Area Intermediate	OPERS, Medicare and Out of Area Basic
Plan Administrator	Aetna or Medical Mutual	Aetna or Medical Mutual	Aetna or Medical Mutual
Lifetime Maximum Benefit	\$2,500,000	\$2,500,000	\$2,500,000
Employee Cost-Sharing			
Annual Deductible	\$250 Person \$400 Family	\$400 Person \$800 Family	\$900 Person \$1800 Family
Out of pocket maximum	\$850 Person \$1600 Family	\$1000 Person \$2000 Family	\$1500 Person \$3000 Family
Hospital Services			
Emergency Room	Co-pay: \$75 + 20% non-facility charges	Pays 80%	Pays 70%
Physician Services			
Office Visits	Pays 80%	Pays 80%	Pays 60%
Prescription Drugs			
Retail (Tiers for Generics, Formulary, Non-formulary) - 30 day supply	\$5, \$10, \$25	\$15, \$35, \$50	Copayment of 35%, 35%, 50%
Mail Order (Tiers for Generics, Formulary, Non-formulary) – 90 day supply	\$15, \$30, \$75	\$45, \$105, \$150	Copayment of 35%, 35%, 50%

These are included as examples, not as an exhaustive list of every plan available to every employee or retiree group.
There's the three levels of this plan, with and without Medicare, AultCare for out of area, a Kaiser HMO, a vision plan, and a dental plan.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN INFORMATION	OPERS, no Medicare Enhanced	OPERS, no Medicare Intermediate	OPERS, no Medicare Basic
Plan Administrator	Aetna or Medical Mutual	Aetna or Medical Mutual	Aetna or Medical Mutual
Lifetime Maximum Benefit	\$2,500,000	\$2,500,000	\$2,500,000
Employee Cost-Sharing			
Annual Deductible	\$250/\$300 Person \$400/\$500 Family	\$750/\$1500 Person \$1500/\$3000 Family	\$2000/\$4000 Person \$4000/\$8000 Family
Out of pocket maximum	\$850/\$1600 Person \$1600/\$3100 Family	\$3000/\$6000 Person \$6000/\$12000 Family	\$5000/\$10000 Person \$10000/\$20000 Family
Hospital Services			
Emergency Room	Co-pay: \$75 + 20% non- facility charges	Pays 80%	Pays 70%
Physician Services			
Office Visits	\$15 In-Network 60% Out of Network	\$25 In-Network 60% Out of Network	60%
Prescription Drugs			
Retail (Tiers for Generics, Formulary, Non-formulary) - 30 day supply	\$5, \$10, \$25	\$15, \$35, \$50	Copayment of 35%, 35%, 50%
Mail Order (Tiers for Generics, Formulary, Non- formulary) – 90 day supply	\$15, \$30, \$75	\$45, \$105, \$150	Copayment of 35%, 35%, 50%

These are included as examples, not as an exhaustive list of every plan available to every employee or retiree group.
There's the three levels of this plan, with and without Medicare, AultCare for out of area, a Kaiser HMO, a vision plan, and a dental plan.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN INFORMATION	Ohio STRS Indemnity Plus/Basic	Ohio STRS PPO Plus In/Out Network	Ohio STRS PPO Basic In/Out Network
Plan Administrator	Aetna or Medical Mutual	Aetna or Medical Mutual	Aetna or Medical Mutual
Lifetime Maximum Benefit	\$2,500,000	\$2,500,000	\$2,500,000
Employee Cost-Sharing			
Annual Deductible	\$500/\$1500	\$500/\$1000	\$1500/\$3000
Out of pocket maximum	\$1500/\$2500 Individual \$3000/\$5000 Family	\$1500/\$3000 Individual \$3000/\$6000 Family	\$2500/\$5000 Individual \$5000/\$10000 Family
Hospital Services			
Emergency Room	80%	80%	80%
Physician Services			
Office Visits	80%	80% / 50%	80% / 50%
Prescription Drugs			
Retail (Tiers for Generics, Formulary, Non-formulary) - 30 day supply	\$10, \$30, \$50	\$10, \$30, \$50	\$10, \$30, \$50
Mail Order (Tiers for Generics, Formulary, Non-formulary) – 90 day supply	\$25, \$75, \$125	\$25, \$75, \$125	\$25, \$75, \$125

These are included as examples, not as an exhaustive list of every plan available to every employee or retiree group. There's the basic and plus levels of this plan, from Aetna and Medical Mutual, Indemnity or PPO, AultCare PPO, a Kaiser HMO, a Paramount HMO, all with or without Medicare (except Aultcare is only for non-Medicare).

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN INFORMATION	Ohio SERS Indemnity	Ohio SERS PPO Plus In Network	Ohio SERS PPO Out of Network
Plan Administrator	Aetna or Medical Mutual	Aetna or Medical Mutual	Aetna or Medical Mutual
Lifetime Maximum Benefit			
Employee Cost-Sharing			
Annual Deductible	\$340 person \$700 family	\$340 person \$700 family	\$700 person \$1400 family
Out of pocket maximum	\$1500 person \$3000 family	\$1500 person \$3000 family	None
Hospital Services			
Emergency Room	\$340 + 20%	\$340 + 20%	\$340 + 20%, or 90% for non-emergency
Physician Services			
Office Visits	20% Co-insurance	\$25	90% Co-insurance
Prescription Drugs			
Retail (Tiers for Generics, Formulary, Non-formulary) - 30 day supply	20% with \$2.50 min Preferred 35% with \$5 min Non-preferred	20% with \$2.50 min Preferred 35% with \$5 min Non-preferred	20% with \$2.50 min Preferred 35% with \$5 min Non-preferred
Mail Order (Tiers for Generics, Formulary, Non-formulary) – 90 day supply	\$15, \$45, \$80	\$15, \$45, \$80	\$15, \$45, \$80

All eligible retirees may select the Aetna or Medical Mutual of Ohio PPO/indemnity plans. Those who live in certain Ohio counties may also select Paramount HMO, Aetna HMO, Kaiser HMO, or AultCare plans.

Medicare patients are moving to a Medicare advantage plan on Jan 1, 2008.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

STATE OF TENNESSEE

PLAN INFORMATION		Tennessee PPO	Tennessee POS
Plan Administrator		BlueCross BlueShield of Tennessee	Cigna HealthCare
Lifetime Maximum Benefit			
Employee Cost-Sharing			
Annual Deductible		\$300 / \$300 individual \$750 / \$750 family	\$0 / \$300 individual \$0 / \$750 family
Out of pocket maximum		\$1300 / \$3900 individual \$2600 / \$7800 family	None
Hospital Services			
Emergency Room		\$50 (maybe waived) + 10%/30%	\$50 (maybe waived) + 0%/30%
Physician Services			
Office Visits		10%/30%	\$20-\$25 / 30%
Prescription Drugs			
Retail (Tiers for Generics, Formulary, Non-formulary) - 30 day supply		\$5, \$20, \$40 \$1,500 annual max.	\$5, \$20, \$40 + 30% of MAC
Mail Order (Tiers for Generics, Formulary, Non-formulary) – 90 day supply		N/A	N/A

The above benefits are available for Actives and Retirees.
Also offers HMO plans that are not listed.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

STATE OF WEST VIRGINIA

PLAN INFORMATION	West Virginia In-Network PEIA PPB Plan A/Plan B	West Virginia Out of Network PEIA PPB Plan A/Plan B
Plan Administrator	Wells Fargo	Wells Fargo
Lifetime Maximum Benefit	\$1,000,000	\$1,000,000
Employee Cost-Sharing		
Annual Deductible	Varies by salary and employer type.	Twice the In-Network deductible.
Out of pocket maximum	Varies by salary and employer type.	Twice the In-Network out of pocket max.
Hospital Services		
Emergency Room	\$25 + deductible + 20%	\$25 + deductible + 40%
Physician Services		
Office Visits	\$15 Primary Care \$20 Specialty Care	Deductible + 40%
Prescription Drugs		
Retail (Tiers for Generics, Formulary, Non-formulary) - 30 day supply	(\$5, \$15, \$50) / (\$5, \$20, \$50)	(\$8, \$18, \$53) / (\$8, \$23, \$53)
Mail Order (Tiers for Generics, Formulary, Non-formulary) – 90 day supply	(\$5, \$15, \$50) / (\$5, \$20, \$50)	(\$8, \$18, \$53) / (\$8, \$23, \$53)

The above benefits are available for Actives and Retirees.

This does not include the HMO, Plan A, Plan B, and PPO from each of “Health Plan” and Carelink.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

STATE OF SOUTH CAROLINA

PLAN INFORMATION	South Carolina Actives and non-Med retirees SHP Savings Plan In-Network/Out of Network	South Carolina Actives and non-Med retirees SHP Standard Plan In-Network/Out of Network	South Carolina Med retirees Med Supp Plan
Plan Administrator			
Lifetime Maximum Benefit			
Employee Cost-Sharing			
Annual Deductible	\$3000 Individual \$6000 Family	\$350 Individual \$700 Family	Pays Med part A&B deductibles
Out of pocket maximum	\$2000/\$4000 Ind. (plus deduct) \$4000/\$8000 Fam. (plus ded.)	\$2000/\$4000 Ind. (plus deduct) \$4000/\$8000 Fam. (plus ded.)	None
Hospital Services			
Emergency Room	No co-pays or deductible.	\$125 deductible	Pays for deductible and co- insurance
Physician Services			
Office Visits	20% / 40%	\$10 + 20% / 40%	Pays coinsurance
Prescription Drugs			
Retail (Tiers for Generics, Formulary, Non-formulary) - 30 day supply	100% until ded. Is met. 80% co-insurance	\$10, \$25, \$40	\$10, \$25, \$40
Mail Order (Tiers for Generics, Formulary, Non- formulary) – 90 day supply	100% until ded. is met. 80% co-insurance	\$25, \$62, \$100	\$25, \$62, \$100

These are included as examples, not as an exhaustive list of every plan available to every employee or retiree group.
Not included are BlueChoice HealthPlan, Cigna HMO, or the MUSC options, available in some counties.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

STATE OF MARYLAND

PLAN INFORMATION	PPO In-Network	PPO Out-of-Network	POS In-Network*
Plan Administrator	CareFirst / UHC	CareFirst / UHC	Aetna, CareFirst / UHC
Lifetime Maximum Benefit	\$2 million per lifetime per person	\$2 million per lifetime per person	\$2 million per lifetime per person
Employee Cost-Sharing			
Annual Deductible	None None	\$250 person \$500 family	None None
Out of pocket maximum	None None	\$3,000 person \$6,000 family	None None
Hospital Services			
Emergency Room	\$50 co-payment then 100%	\$50 co-payment then 100%	\$50 co-payment then 100%
Physician Services			
Office Visits	\$15	80% after deductible	\$15

The above benefits are available to Actives and Retirees.

There are also 3 HMO plans from CareFirst, Kaiser and MAMSI/UNH offered to Actives and Retirees.

* POS Out-of-Network benefits are the same as the PPO Out-of-Network benefits.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

STATE OF MARYLAND

Plan Information			
Plan Administrator**	Catalyst Rx	Catalyst Rx	Catalyst Rx
Prescription Drugs			
Retail – 1 - 45 days supply			
Generics	\$5	\$5	\$5
Preferred Brand	\$15	\$15	\$15
Non-preferred Brand	\$25	\$25	\$25
46 – 90 days supply			
Generics	\$10	\$10	\$10
Preferred Brand	\$30	\$30	\$30
Non-preferred Brand	\$50	\$50	\$50
Mail Order – 1 – 45 days supply			
Generics	\$5	\$5	\$5
Preferred Brand	\$15	\$15	\$15
Non-preferred Brand	\$20	\$20	\$20
46 – 90 days supply			
Generics	\$10	\$10	\$10
Preferred Brand	\$20	\$20	\$20
Non-preferred Brand	\$20	\$20	\$20

The above benefits are available to Actives and Retirees.

There are also 3 HMO plans from CareFirst, Kaiser and MAMSI/UNH offered to Actives and Retirees.

* POS Out-of-Network benefits are the same as the PPO Out-of-Network benefits.

** Catalyst Rx was effective on 7/1/2007. Caremark provided PBM services for the seven years prior to that date.

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

COMMONWEALTH OF KENTUCKY

PLAN INFORMATION	KEHP	KTRS	KRS
Plan Administrator	Medical – Humana Pharmacy – Express Scripts	Medicare Advantage PFFS – Humana Medicare Eligible Health Plan (MEHP) – Humana Medicare Eligible Prescription Drug Plan – Medco	TPA-Fiserv Health PBM-Walgreens Health Initiatives
Lifetime Maximum Benefit	Unlimited	Medicare Advantage PFFS – unlimited Medicare Eligible Health Plan - \$1.5 million Medicare Eligible Prescription Drug Plan – unlimited	Unlimited
Employee Cost-Sharing	Essential, Enhanced, Premier, Select	Medicare Advantage PFFS - 4% Medicare Eligible Health Plan – 4% Medicare Eligible Prescription Drug Plan – 20% to 35% Medicare Eligible Prescription Drug Plan Out of Network – 40%	Medical-Only Plus Premium
<ul style="list-style-type: none"> Annual Deductible 	Essential: \$750/1,500 Enhanced: \$250/\$500 Premier: \$250/\$500 Select: \$2,000/\$3,000	\$150 Medical \$150 Retail Prescription	\$131 / \$250 / \$150
<ul style="list-style-type: none"> Out of pocket maximum 	Essential:\$3,500/\$7,000 Enhanced:\$1,250/\$2,500 Premier:\$1,000/\$2,000 Select:\$3,000/\$4,500	\$1200 per calendar year for covered medical expenses	\$131 / \$1000 / \$500

**2007 BLUE RIBBON COMMISSION ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS
HEALTH BENEFITS PLAN DESIGN COMPARISON**

COMMONWEALTH OF KENTUCKY

Hospital Services			
<ul style="list-style-type: none"> Emergency Room 	Essential: \$50 co-pay then 25% Enhanced: \$50 co-pay then 20% Premier: \$50 co-pay then 10% Select: 90%/10%* (co-pay waived for Essential, Enhanced, & Premier if admitted to hospital)	96% covered after \$150 deductible. Max copayment after deductible is \$50.	100% covered after deductible for Medical Only Plan, 100% after deductible/OOP Maximum Plus and Premium Plans
Physician Services			
<ul style="list-style-type: none"> Office Visits 	Essential: 75%/25%* Enhanced: \$10 co-pay Premier: \$10 co-pay Select: 90%/10%*	96% covered after \$150 deductible	100% covered after deductible for Medical Only Plan, 100% after deductible/OOP Maximum Plus and Premium Plans

KTRS: Medical benefits apply to Medicare-covered services only and assume physician accepts Medicare and Medicare Assignment.

KEHP: *Services subject to annual deductible

**If x-ray and lab performed on the same day/same site (provider) only one co-pay is charged.

***After the 75th prescription has been filled, excluding mail order, the co-payment will reduce to \$10 2nd tier and \$20 3rd tier.

05/03/2007

KERS: Medical benefits apply to Medicare-covered services only and assume physician accepts Medicare and Medicare Assignment.

WHAT ARE OTHER STATES DOING TO MANAGE THEIR HEALTH COSTS?

Disease Management & Wellness Programs

California

- State's vision plan provider administers the VSP Eye Health Management program: The Program focuses on the early treatment and management of both eye and overall health conditions, including diabetes, diabetic retinopathy, glaucoma, macular degeneration, hypertension and high cholesterol. This program supports wellness and disease management programs by providing eye health awareness materials, reporting and coordination between the healthcare physician & the VSP Panel physician.

Colorado

- Participating in a study to determine if the state can reduce net claims for insured diabetics by removing barriers to compliance with prescribed therapy, reducing out-of-pocket expenses for diabetic medications and supplies, and encouraging appropriate self-management. If successful, the program will expand to include other chronic conditions such as asthma.

Indiana

- Non-tobacco users will be able to reduce their health insurance deductible by \$500.
- Implemented the One Care Street program (developed by The Haelen Group) for premium reduction. The OCS survey instrument is a self-reported health perception assessment that measures the gap between how one is feeling and functioning compared to one's image of how one should be feeling and functioning. The OCS also uses survey-based predictive modeling that identifies and stratifies people according to their risk for seeking higher than expected levels of healthcare. CS also uses health coaching as its intervention.

Louisiana

- The Louisiana Office of Group Benefits has contracted with APS Healthcare to offer a program called "Healthy Together" at no additional cost for members and their dependents that are enrolled in the three major health plans offered by OGB. The "Healthy Together" program is for those living with asthma, diabetes, cardiac diseases, or chronic obstructive pulmonary disease. It is a confidential program where selected members have the opportunity to work one-on-one with a supportive health coach. The special programs may be available through the Internet, interactive devices, over the phone, or comprehensive educational handbooks.

Maine

- In the process of seeking proposals to introduce reimbursement models for physician practices that can demonstrate effective and efficient care management of patients with chronic conditions. The objective is to reward practices that are managing their patients with chronic diseases rather than contract for off-site disease management services.

Michigan

- Continues to offer wellness activity assistance upon request for various state agencies. Staff RN's perform mini-screenings (BP, BMI, etc.) as well as a choice of educational presentations throughout the year.
- Coordinates annual on-site flu shot clinics at many locations throughout the State. Insurance coverage was arranged so there was not an out-of-pocket expense for employees and spouses. The clinic sites were expanded this year by utilizing a home healthcare agency.

Minnesota

- Recently announced QCare (Quality Care and Rewarding Excellence), a new initiative to dramatically improve healthcare performance in the areas of diabetic care, cardiovascular care, hospital safety, and preventive care. The initiative includes targeted disease management, coupled with analysis of claims data to better focus disease management programs. In addition, the state has offered incentives for employees to complete online health assessments.

Nebraska

- Applied for and received a \$100,000 grant from the National Governors Association to establish a sustainable wellness program for all state employees. The wellness program will include a health risk assessment, health fairs and other programs to help promote and sustain wellness within state government.

New Hampshire

- Gov. John H. Lynch issued an executive order directing all state agencies to assist the HBAC by appointing agency wellness coordinators. New wellness resources for State employees include a walking program (Walk NH) and a wellness web site, supplementing other educational outreach programs.
- In the last several years, New Hampshire has utilized disease management services in the areas of heart disease, chronic obstructive pulmonary disease, asthma, diabetes and low back pain. In the coming year, we hope to provide enhanced programming in the areas of lifestyle management, stress management and smoking cessation.

New York

- The State Civil Service Department operates an employee health service which operates 22 nursing stations providing workplace nursing services in Albany, Binghamton, Buffalo, Long Island, New York City, Syracuse and Utica. Employees are provided general medical care, including immunizations for influenza or occupational-related immunizations/TB screenings.

- Currently has disease management medical programs for cardiovascular risk reduction, asthma, and diabetes. New programs, currently being implemented include mental health disease management for depression, and a pharmaceutical program for migraine headache management.

Ohio

- The Ohio Population Health Management Program focuses discussion away from the traditional cost-containment model and onto the health of employees and their dependents. This focus allows not just treatment and programs for “sick” people but focuses on the entire populations. Specific programs components include preventive care reminders, health assessments, lifestyle behavior change programs, worksite health screenings, health decision support, disease management, case management, and maternity management. This program will be driven by financial incentives to engage participants in health lifestyles and motivate behavior change and a data warehouse to assist in the measurement of the program’s effectiveness and outcomes.

Oklahoma

- The OK Health Mentoring program is designed to reduce the risk for cardiovascular disease and other chronic illness. Participants receive one-on-one mentoring sessions for meaningful lifestyle changes. Employees receive several incentives to participate, including a visit to a primary care physician, including lab work, with no out-of-pocket charge. Participants get a discount at fitness centers and some agencies give up to a \$500 pay incentive for successfully completing the program.

Vermont

- The state’s comprehensive wellness program, which is integrated with the state’s EAP program, has six registered nurses that do site visits using a health risk assessment tool to perform wellness screenings for active employees. Screenings for retired employees are offered at facilities throughout the state (but are not performed by the state’s wellness nurses). In addition, yearly walking programs and workshops on topics such as stress, heart disease and nutrition are offered.

Virginia

- For the past 20 years, Virginia has offered a variety of health and wellness programs for state employees, including smoking cessation, weight management, healthy eating and special care targeted to expectant mothers at risk for premature delivery. In addition, discounts are offered at more than 120 fitness clubs around the commonwealth. The disease management program has recently added metabolic syndrome (combination of high blood pressure, high cholesterol and obesity) to the list.
- The Healthy Virginians initiative was introduced in fiscal year 2005 to educate employees on healthy lifestyle issues and the steps they can take to be and stay healthy in addition to increasing employee participation in wellness and preventive care. More than 20,000 state employees participated, walking 2,000 more steps and cutting 100 calories daily. In all, employees logged more than 284,000 miles – equal to walking around the world 11 times. Employees also were encouraged to take 15-minute fitness breaks daily.

Wyoming

- Wyoming's health plan encourages routine exams and testing by providing a 100 percent benefit up to \$400 per calendar year. The program also pays 100 percent for routine diagnostic colonoscopies once every five years which is not subject to the \$400 calendar year maximum.
- An annual basic blood chemistry profile screening for health plan participants through the Wyoming Health Fair Group and an annual flu shot also are included.
- Provides a \$50 incentive to employees and retirees for completion of a health risk assessment each year.

Cost Containment Strategies

Indiana

- Eliminating the prescription drug coinsurance amounts credited to the OOP; replaced prescription co-pays with co-insurance and went to four tiers; added 20 percent co-insurance to in-network diagnostic testing, placed limits on physical, occupational, and speech therapies, also on chiropractic manipulation; preventive care no longer would be subject to deductible; limited morbid obesity coverage to \$10,000. The number of HMO offerings also was reduced.

Louisiana

- Elementary and secondary school systems can elect either to participate in the Office of Group Benefits (OGB) program or obtain private coverage. However, the contribution amount per employee from Louisiana is limited to the amount the school system would have received if it had participated in the OGB. If a school system elects to participate, its members are subject to risk rating for a period of time and limitations for withdrawing from the program.

Maine

- Implemented a tiered hospital benefit effective July 1, 2006. All Maine acute care hospitals are rated in terms of selected patient safety and clinical quality measures. A list of 15 (out of 36) hospitals were designated as preferred providers. For members who receive care from a preferred hospital the deductible is waived for all services billed by the hospital. This initiative was introduced in order to encourage members to become more informed and engaged consumers and to promote the public disclosure of performance by the hospitals. Compliance with public reporting of quality and patient safety metrics has doubled among Maine hospitals since the tiered benefit was introduced. Similar initiatives are under development for primary and specialty care

Michigan

- Requires employees and dependents to take a generic drug whenever a generic drug is available, or pay the co-pay, plus a one time additional charge for the first fill and then the difference between the cost of the brand and generic drug going forward. At the end of the pilot program, key indicators such as employee satisfaction, cost savings and increased use of generics compared to a control group, will be analyzed.
- An additional pilot prescription program will be introduced in 2007, which will study the

effect of sending targeted communication to a treatment group that provides the employee with the cost of their medications, the state's cost and the available savings opportunities based on switching to a generic, preferred brand or home delivery prescription plan.

- Michigan initiated a state-wide dependent audit for all employees who enroll their dependents through any of the state's health plans. An amnesty period was established and letters were mailed requesting documentation to substantiate dependents eligibility for enrollment. A list of required documentation and eligibility criteria was also included. The campaign was highly successful with over 97 percent compliance.

New York

- The state has implemented a network benefit with deductibles and coinsurance for non-network hospitals that allows the state to take advantage of deeper discounts for network hospitals.
- Tied increases in deductibles and out of pocket maximums to changes in the CPI (Consumer Product Index)

CDHP Initiatives

Indiana

- Introduced a HDHP-HAS with a large state contribution to the HAS and no employee premium.
- For 2007, the state replaced the original HDHP to offer two new plans – maximum and minimum deductibles; maintains state's contribution level of 60 percent of deductible.

Nebraska

- Offers a PPO Consumer Driven Health Plan. The CDHP will have a \$1,000 per calendar year deductible for in-network expenses with a \$2,000 per calendar year maximum out of pocket. In addition, the new CDHP will implement a four-tier formulary prescription plan with higher co-pays and/or co-insurance.

Wyoming

- Implemented a new federally-qualified HDHP. The state selected a health savings account vendor but employees may elect to use an outside HSA vendor. HSA accounts are entirely employee funded.